



Melinda S. Giftos

Keyword Advertising: An Important Marketing Tool or a Potential Minefield?

by Melinda S. Giftos

As consumers continue to migrate onto the Internet to seek out products and services, Internet advertising has evolved into a multi-billion dollar industry. One popular tool for increasing brand visibility online is keyword advertising.

What is Keyword Advertising?

Keyword advertising is a powerful tool used by companies to improve search engine rankings and increase advertising visibility on the Internet. All of the major search engine companies in the United States, such as Google, Yahoo! and Bing, offer services through which various keywords can be purchased. Keywords can either be trademarks or terms that describe goods and services offered. For example, the Coca-Cola Company could purchase “Coke,” “Coca-Cola” and “soft drinks” as keywords. Then, when consumers enter the keywords into a search engine, the Coca-Cola Company’s advertisements and links will be listed in the top of the search rankings as “sponsored” links. Tension comes into play, however, when companies register their competitor’s trademarks to attain increased traffic and visibility. For example, a start-up beverage company could purchase “Coca-Cola” as a keyword and generate much more Web traffic than it could by using its own new and comparatively unknown trademarks.

Is it Trademark Infringement?

Many brand owners believe that the use of their trademarks in keyword advertising by their competitors causes them to lose business and constitutes trademark infringement. As a result, numerous lawsuits have been filed, both against the search engine companies who provide the services and the companies who have purchased competitors’ trademarks as keywords.

The most high profile cases involve the search

engine giant, Google, which has aggressively defended its AdWords® program, claiming that it does not infringe upon any trademark rights by selling its keyword advertising services. Brand owners disagree, however, particularly because Google has a “Keyword Selection Tool” by which it suggests various keywords to purchase, including competitive trademarks, and because Google makes 95% of its revenues from its advertising programs.

Unfortunately, to date it remains unclear whether offering keyword advertising services and using third-party trademarks in keyword advertising is trademark infringement. To prove trademark infringement, a brand owner must prove that the mark is used “in commerce” and is likely to cause consumer confusion.

Use in Commerce

In early keyword advertising lawsuits, cases were often dismissed summarily on the grounds that the trademarked keywords were not used in commerce since the marks were generally hidden and were not used directly in connection with the sale of goods and services. However, in April 2009, in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. April 3, 2009), the Second Circuit Court of Appeals held that keyword advertising could constitute use in commerce.

Likelihood of Confusion

If keywords are used in commerce, brand owners must also prove that the use of trademarks in keyword advertising causes consumer confusion. To do so, many have argued that keyword advertising creates “initial interest confusion,” meaning that the company which purchased its competitor’s trademark did so intentionally to divert traffic to its own advertising. Even though consumers are not ultimately confused as to the source of the advertisement, they would have never seen the advertisement or Web site absent searching for

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Patent Owners and Licensees Beware: Patent Marking Trolls Are Afoot!

by Kristine M. Strodthoff

For companies and individuals marking products with a patent number or “patent pending” – beware! Stiff penalties can be assessed for false marking of products. This comes from a recent decision by the Federal Circuit in *Forest Group, Inc. v. Bon Tool Co.*, 93 USPQ2d 1097 (Fed. Cir. 2009).

Bon Tool Co., charged with patent infringement by Forest Group, Inc. (Forest), countersued Forest under 35 USC § 292 for false marking of its S2 construction stilts (U.S. Patent No. 5,645,515) because the stilts did not include the element of a “resiliently lined yoke” as required by the claims of the patent.

The false marking statute prohibits the use of a patent number in connection with a product that is not covered by the patent and the use of “patent pending” when there is no application pending.

Violation of the statute requires intent to deceive the public; that is, the offender must have known the article was falsely marked or lacked a reasonable basis for believing that the article was properly marked. In the *Bon Tool* case, Forest knew the S2 stilts were not covered by the patent as a result of a court decision in a different lawsuit. Nevertheless, Forest continued to mark the S2 stilts with the patent number.

The big question in *Forest* was the amount of the fine and how to determine it. The false marking statute stipulates a fine of not more than \$500 for every such offense.

The lower court interpreted “offense” as a *single* decision by Forest to falsely mark the S2 stilts, and thus susceptible to a fine of as much as \$500. On appeal, the Federal Circuit saw it differently. Based on the plain language of the statute, the court held that the penalty of as much as \$500 should be assessed on *each article* that is falsely marked.

The Federal Circuit decision in *Bon Tool* significantly changed how the fine

for false marking is determined, basing it on the *total number* of falsely marked articles. It is important to remember that courts have discretion to assess an equitable penalty. Consequently, the *not more than \$500* penalty per article can range from mere pennies *up to* the \$500 maximum.

A fine of up to \$500 for a single decision that supplies hundreds of falsely marked articles into the marketplace does little to discourage offenders. However, a *per article* fine clearly serves as a much stronger deterrent against false marking.

An interesting component of the false marking statute is that *anyone*, including you or I, can sue another party for false marking – although one must split the fine with the U.S. government. And not surprisingly, there has been an explosion of false marking lawsuits – almost as a cottage industry.

So beware of the false marking trolls who are trolling for offenders.

The following are some tips and suggestions to avoid the pitfalls associated with patent marking:

- When marking a product with one or more U.S. patent numbers or with U.S. Patent Pending, be sure the product is covered, respectively, by at least one claim of the relevant patent or the pending U.S. application. If not, do *not* mark the product. Also, remove any expired or non-applicable number.
- Have your patent attorney review your products and product lines to confirm that they are covered by a claim of the patent or pending application. Perform this review periodically and routinely, especially when modifications are made to the product.
- Put a system in place to easily and rapidly modify and update patent marking information on product labels, packaging and advertising materials.
- If in litigation as the patent holder,



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be mindful of rulings that affect whether your products are covered by the claims of your patent. Be sure to check through all marked products and discontinued marking with the patent number (or patent pending) if the product is no longer covered by a claim of the patent or application.

- As a defendant in a patent infringement lawsuit, consider obtaining a legal opinion as to possible false marking of products by the plaintiff patent holder and assert the false marking statute as a counterclaim.
- As a licensee required to mark products with a patent number or patent pending, include a provision under the license that requires indemnification against a charge of false marking.
- Make sure products *are* marked with the patent number. Notice of patent rights is essential to obtaining damages from an infringer.
- Finally, be aware that there is a *five-year* statute of limitations for false marking, which allows an adversary to reach back to past false marking offenses.

The final word: Be sure to mark your products—but mark wisely and carefully.

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Supreme Court Decision Highlights Benefits of Copyright Registration

by W. David Shenk

An inventor does not have a patent on his invention until the U.S. Patent Office grants him one. In contrast, the author of a book, screenplay, work of art or software obtains copyright under federal law from the moment she puts pen to paper or otherwise “fixes” the work in tangible form. Once created, the work can be registered with the U.S. Copyright Office. Formal registration of a work with the Copyright Office confers significant benefits but is not a precondition to the existence or validity of copyright. What happens when a legal dispute arises over an unregistered work? Do the courts have jurisdiction? The U.S. Supreme Court recently provided the answer in *Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237 (2010).

The Bundle of Rights

Copyright confers on authors a “bundle of rights.” Those rights include the right to create derivative works, such as a screenplay from a novel or a video game from a movie. The rights also include the right to reproduce and the right to distribute the work, in other words to publish it. When a company such as Google attempts to make every book ever printed available in an online database it is arrogating to itself the authorial right to publish.

Unregistered Works

Many of the books Google is copying and many of the decades-old newspaper and magazine articles and research papers that Internet publishers are republishing electronically have never been registered with the Copyright Office. There are a number of reasons why authors choose not to register their works, chief among them the inconvenience of preparing and submitting the registration form, filing fee, and deposit copies of the work to the Copyright Office. The efforts by Internet publishers to reproduce electronically the

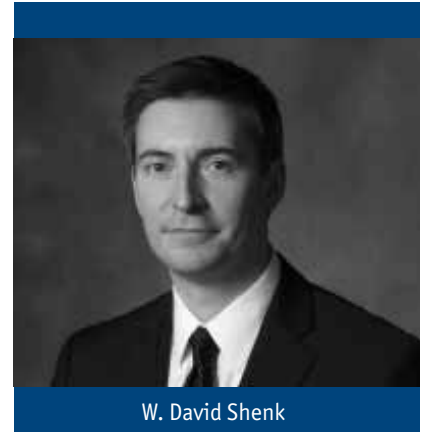
works of freelance authors of newspaper and magazine articles, many of them unregistered, without first securing their permission gave rise to the dispute at the heart of the Supreme Court decision in *Reed Elsevier*.

Subject Matter Jurisdiction in the Federal Courts

Some of the freelance authors involved in the dispute had registered their works with the Copyright Office while others had not. Yet a settlement that encompassed all of the authors, as members of a class for settlement, was approved by a federal trial court. Authors who objected to the certification of a class and the imposition of a settlement appealed. The Second Circuit Court of Appeals concluded that the trial court lacked jurisdiction to certify the class of claims arising from infringement of unregistered works or to approve a settlement involving the unregistered works.

The Supreme Court ultimately took the case to answer the narrow question of whether the registration requirement of the Copyright Act, 17 U.S.C. § 411(a), restricts the subject matter jurisdiction of federal courts over copyright infringement actions. Section 411(a) states that “no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” Reversing the Second Circuit, the Supreme Court held that the registration requirement of § 411(a) was not jurisdictional in nature.

After *Reed Elsevier*, it is clear that an alleged infringer can bring an action for a determination of non-infringement whether the work in question is registered or not. The case also means that class actions to resolve issues regarding numerous works, some registered and some not, can proceed in federal court, which has subject matter jurisdiction to adjudicate claims as to all of the works. The subtle distinction drawn by the



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Supreme Court in its opinion between registration as a jurisdictional requirement and registration as a precondition to suit means that the copyright holder is still required to prove he has a valid copyright registration when bringing suit for infringement. Circuit courts across the country remain split as to whether one must have a registration at the time of filing suit or merely have applied for one. This issue has divided the federal courts for years and the Supreme Court expressly declined to resolve it in *Reed Elsevier*.

The Benefits of Registration

In addition to being a necessary element of a plaintiff’s cause of action for copyright infringement, registration provides a number of benefits. Registration prior to infringement entitles an author to seek attorney’s fees and statutory damages, which can be an important remedy when lost profits are difficult to establish. Registration also provides *prima facie* proof of ownership of the work. Given the relatively straightforward application process (with a few intricacies that a copyright practitioner can advise on) and the nominal cost, authors are well advised to promptly register their works upon creation.

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the competitor's trademark.

Courts are split, however, on whether the initial interest confusion doctrine is valid. Many argue that the concept is dated and that consumers are much more sophisticated when searching the Internet for goods and services than they were when the initial interest confusion doctrine was developed in the late 1990s. Unfortunately, most cases have settled prior to any verdict and therefore there is no definitive U.S. case law on the issue. In addition, the cases and applicable standards vary greatly depending on whether the suit is against the search engine companies that provide the keyword services or the competitors that actually purchase the trademarked keywords.

International Landscape

While the U.S. law remains unsettled, in March 2010, the European Court of Justice (EJC) held that Google did not infringe brand owners' trademark rights by providing its AdWords® program. Interestingly, however, the ruling left great uncertainty as the court also held that Google must remove keywords if it receives complaints and that the national courts are free to set their own rules on whether search engine providers' keyword advertising programs infringe the trademark rights of others. Importantly, the ECJ also held that purchase and use of trademarked keywords by competitors does constitute use of the trademark and could constitute trademark infringement.

Best Practices

Because the legality of the use of third-party trademarks in keyword advertising is currently unsettled, the following best practices are advisable when undertaking keyword advertising:

- Take caution before purchasing or bidding on a competitor's trademarks. For some companies, the risk may be well worth it, but for others, it could lead to bet-the-company litigation.
- Be proactive and purchase your own company's trademarks in keyword advertising programs.
- Because brand owners have an obligation to maintain exclusive rights in their trademarks, it is important to monitor third-party uses of your trademarks in keyword advertising programs and take action as needed.
- Become familiar with each search engine company's policies and complaint procedures.
- In using keyword advertising, clearly include your own trademarks in the descriptive portion of the search result. If you have a defensible reason for using another's trademarks (i.e., if you are a reseller or offer products or services that compliment another brand), clearly indicate that relationship to reduce any potential confusion.

Stay current on the developing case law in this area.

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